

Message Text

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PAGE 01 KINGST 02289 01 OF 03 092116Z
ACTION ARA-10

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NSAE-00 SS-15 SP-02 OMB-01 COME-00 /048 W
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P 091930Z MAY 77
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC PRIORITY 5189

C O N F I D E N T I A L SECTION 1 OF 3 KINGSTON 2289

ARA FOR HEAVNER; EB FOR DUNFORD; DEPT PASS AID FOR LION AND
LEIPZIGER; TREASURY FOR MARESCA

E.O. 11652: GDS
TAGS: EFIN, EAID, JM
SUBJECT: US/JAMAICAN ECONOMIC TEAM, MAY 6

1. ON FINAL DAY OF US/JAMAICAN JOINT ECONOMIC TEAM MEETINGS,
JAMAICAN SIDE HOSTED BOARD ROOM LUNCH AT BANK OF JAMAICA.
DEPUTY PM DAVID COORE, BOJ GOVERNOR BROWN, AND MINISTER OF
STATE FOR PLANNING RICHARD FLETCHER ATTENDED. BROWN AND
FLETCHER REMAINED FOR JOINT TEAM MEETING IN AFTERNOON.

2. DURING LUNCH, COORE AND BROWN PRESSED FOR U.S. ASSISTANCE
IN HELPING JAMAICA DEAL WITH THE IMF AND LATER WITH THE IBRD.
THEY EXPRESSED HOPE U.S. COULD ASSIST OVER LONGER RUN WITH
IBRD TO SECURE PROGRAM LENDING.

3. BROWN AND COORE WERE FLEXIBLE ON EXCHANGE RATE QUESTION
AND WERE RECEPTIVE TO AN APPROACH WHICH WOULD ENTAIL A
SYSTEM OF GUIDELINES UNDER WHICH ADJUSTMENTS IN THE
RATE COULD BE MADE.

4. DURING LUNCHEON MINISTRY OF FOREIGN AFFAIRS PERMSEC
FRANK FRANCIS INQUIRED AS TO THE U.S. POSITION ON
ECONOMIC ASSISTANCE VIS-A-VIS THE IMF. HE ASKED
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PAGE 02 KINGST 02289 01 OF 03 092116Z

SPECIFICALLY IF US AID WAS TIED TO THE IMF. U.S. REP
DONOR LION RESPONDED THAT THE U.S. IS AN INDEPENDENT
SOVEREIGN COUNTRY AND DOES NOT TIE ITS POLICIES TO ANY
INTERNATIONAL INSTITUTION. DEPUTY PRIME MINISTER
COORE NOTED THAT JAMAICA AND THE U.S. HAVE A COMMON
POSITION IN THIS RESPECT. LION NOTED, HOWEVER, THAT
ANY OBJECTIVE ASSESSMENT OF JAMAICA'S NEEDS WOULD SHOW THAT

U.S. ASSISTANCE ALONE WILL NOT MEET THE ANTICIPATED FOREIGN EXCHANGE GAP, AND THAT THE IMF IS IN A POSITION TO MEET NEARLY HALF OF JAMAICA'S SHORT TERM NEEDS. IN ADDITION, AN AGREEMENT WITH THE IMF IS THE KEY TO UNLOCKING THE COOPERATION AND SUPPORT OF OTHER DONORS AND PRIVATE LENDING INSTITUTIONS IN THE LONG AS WELL AS SHORT RUN. ACCORDINGLY, IT WOULD SEEM THAT THE EFFECTIVENESS OF U.S. ASSISTANCE WOULD BE SERIOUSLY REDUCED IF JAMAICA FAILS TO REACH AN AGREEMENT WITH THE IMF. GOVERNOR BROWN EXPRESSED SATISFACTION WITH THIS EXPLANATION.

5. IN AFTERNOON CLOSING SESSION, U.S. REP LION SPOKE FROM PREPARED TEXT AS FOLLOWS: BEGIN TEXT:

A. AS YOU KNOW, THIS IS THE TRADITIONAL TIME TO SAY "THANK YOU FOR YOUR HELP AND YOUR COOPERATION." BUT IT IS A PARTICULARLY EASY THING TO CARRY OUT A TRADITION WHEN ONE BELIEVES SINCERELY WHAT HE IS SAYING. AND THAT IS THE HAPPY SITUATION IN WHICH OUR WHOLE TEAM FINDS ITSELF.

B. WE WISH TO SAY THAT IT HAS BEEN AN ENTIRE PLEASURE, NOT ONLY BECAUSE OF YOUR GOOD COMPANY WHEN WE TOGETHER WENT ABOUT OUR BUSINESS BUT ALSO BECAUSE OF THE COMPETENCE, PROFESSIONALISM, CANDOR AND COMPREHENSIVENESS OF YOUR RESPONSE TO OUR QUESTIONS AND COMMENTS. IT HAS BEEN, IN SHORT, A PROFESSIONAL AND PERSONAL PRIVILEGE TO HAVE WORKED WITH YOU THESE LAST CONFIDENTIAL

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PAGE 03 KINGST 02289 01 OF 03 092116Z

FEW DAYS.

C. LET ME MAKE A FEW COMMENTS ABOUT THE TERMS OF REFERENCE WHICH GUIDED OUR TALKS:

FIRST, WE THINK THEY SERVED THEIR PURPOSE WELL. BUT BEING COMPOSED OF PEOPLE OF COMMON SENSE, OUR TWO TEAMS DID NOT FEEL INFLEXIBLY LIMITED BY THE LANGUAGE OF THE TERMS; NOR DID WE JOINTLY FEEL WE HAD TO PURSUE EACH DOTTED "I" AND CROSSED "T" WITHOUT SOME DISCRIMINATION. WE DID, IN FACT, MAKE CHOICES AND WE CHOSE TO FOCUS ON THE EMERGENCY PRODUCTION PLAN, THE PROPOSED 1978 BUDGET, THE FOREIGN EXCHANGE CRISIS AND THE RELATIONSHIP, OVER THE NEXT SEVERAL MONTHS, BETWEEN INTERNAL AND EXTERNAL ECONOMIC DEVELOPMENTS AND POLICY. IN TERMS OF OUR TIME HORIZONS, WE CONCENTRATED MOST OF OUR ATTENTION UPON THE NEXT 12 MONTHS.

THESE WERE YOUR MOST URGENT CONCERNS AND WE HAPPILY JOINED YOU IN EMPHASIZING THEM.

BUT WE ALSO DEALT WITH EXPORT POTENTIALS AND LONGER TERM DEVELOPMENT MATTERS. FOR GOOD REASONS, THESE SUBJECTS WERE NOT, AND IN SOME RESPECTS COULD NOT BE FULLY DEVELOPED. THEY MIGHT, IN FACT, BE THE PROPER SUBJECTS OF FURTHER JOINT MEETINGS.

D. WE WOULD LIKE TO SHARE WITH YOU A FEW OF OUR IMPRESSIONS IN TWO AREAS. WE OFFER THEM WITH SOME

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PAGE 01 KINGST 02289 02 OF 03 092125Z
ACTION ARA-10

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TO SECSTATE WASHDC PRIORITY 5190

C O N F I D E N T I A L SECTION 2 OF 3 KINGSTON 2289

ARA FOR HEAVNER; EB FOR DUNFORD; DEPT PASS AID FOR LION AND LEIPZIGER; TREASURY FOR MARESCA

TIMIDITY. DESPITE YOUR IMPRESSIVE PRODUCTION AND TRANSMISSION TO US OF DATA, ESTIMATES, CALCULATIONS, ANALYSIS AND KEEN INSIGHTS, WE OBVIOUSLY HAVE NOT BEEN ABLE TO DO THEM FULL ANALYTICAL JUSTICE. FURTHER STUDY WILL GIVE US MORE CONFIDENCE. BUT AT THIS POINT AND WITH THE CAVEAT I HAVE MENTIONED, HERE ARE SOME OF OUR IMPRESSIONS:

(1) NEEDLESS TO SAY, JAMAICA NEEDS SIGNIFICANT BALANCE OF PAYMENTS ASSISTANCE. IT NEEDS IT PROMPTLY; IT NEEDS IT FOR THE NEXT SEVERAL MONTHS; AND, IF YOUR OUTPUT, EMPLOYMENT, STRUCTURAL, QUALITY OF LIFE, PARTICIPATORY AND OTHER DEVELOPMENTAL AND SOCIAL GOALS ARE TO BE APPROXIMATED OR ACHIEVED, JAMAICA WILL PROBABLY REQUIRE BALANCE OF PAYMENTS AND PROJECT ASSISTANCE FOR THE NEXT SEVERAL YEARS.

(IN THIS CONNECTION, MAY I NOTE THAT FOR MOST OF THE PERIOD FROM THE BEGINNING OF THE US AS AN INDEPENDENT, SOVEREIGN NATION UNTIL WELL INTO THE 20TH CENTURY, IT BENEFITTED FROM HUMAN AND CAPITAL TRANSFERS, LOANS AND TECHNICAL HELP WHICH CAN PROPERLY BE CALLED ONE OF THE GLOBE'S LARGEST, MOST CONTINUOUS AND MOST UN-CONFIDENTIAL

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PAGE 02 KINGST 02289 02 OF 03 092125Z

PLANNED INTERNATIONAL ASSISTANCE EFFORT.)

(2) ALTHOUGH WE NEED TO STUDY THE DATA FURTHER, WE HAVE THE IMPRESSION THAT HOLDING THE 1978 BUDGET DEFICIT TO YOUR TARGET WILL BE A DIFFICULT CHALLENGE, REQUIRING EXCEPTIONAL MANAGEMENT, EFFECTIVE USE OF YOUR OWN AND EXTERNAL RESOURCES, MEANINGFUL EXTERNAL ASSISTANCE, AN IMPRESSIVE MEASURE OF NATIONAL DISCIPLINE, GOOD LUCK AND A CREATIVE, TOUGH AND SUSTAINED INCOMES POLICY. THE FLEXIBILITY OF A YEAR OR TWO AGO WHICH YOUR FOREIGN EXCHANGE RESERVE SITUATION PERMITTED IS NO LONGER AVAILABLE. THE TRADE-OFFS AMONG CONSUMPTION, INFLATION, EXPENDITURES AND REVENUES, IMPORT LEVELS AND COMMERCIAL, TRADE AND EXCHANGE RATE ACTIONS ARE TECHNICALLY COMPLEX AND INVOLVE THE MOST DELICATE POLITICAL MATTERS. WE THINK WE HAVE SOME UNDERSTANDING OF THIS VERY DIFFICULT AREA. ONE CAN ONLY ADMIRE THE EFFORTS THAT ARE BEING MADE AND WISH YOU WELL IN IMPLEMENTING, MONITORING AND ADJUSTING AS YOU GO.

E. I SHOULD LIKE TO SAY A WORD OF TWO ABOUT "OTHER DONORS", A SUBJECT MENTIONED IN THE CORRESPONDENCE BETWEEN AMBASSADOR RATTRAY AND SECRETARY VANCE. IT WAS INITIALLY THOUGHT THAT WE WOULD SPEND SOME TIME, IN THIS JOINT ENDEAVOR, ON THE QUESTION OF THEIR FUTURE INVOLVEMENT. IT IS EVIDENT THAT JAMAICA IS WELL ALONG IN DEALING WITH BILATERAL AND INSTITUTIONAL SOURCES OF COOPERATION ON BALANCE OF PAYMENTS ASSISTANCE IN THE IMMEDIATE AND SHORT-RUN. AT THIS STAGE, AND DEPENDING UPON CONCLUSIONS TO BE CONSIDERED AND REACHED AFTER OUR RETURN TO WASHINGTON, US COOPERATION IN INVOLVING OTHER DONORS MIGHT BE BEST DIRECTED AT THE USE OF ITS "GOOD OFFICES", AS APPROPRIATE. ON LONGER TERM DEVELOPMENT MATTERS, IT IS FOR THE GOVERNMENT OF JAMAICA, JUST AS IT IS WON ISSUES

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PAGE 03 KINGST 02289 02 OF 03 092125Z

AFFECTING THE FOREIGN EXCHANGE CRISIS, TO DETERMINE HOW IT WISHES TO RELATE TO THE SPECTRUM OF CAPITAL SUPPLIERS, PUBLIC AND PRIVATE. FOR OUR PART, WE WOULD WELCOME AND EVEN ENCOURAGE SYSTEMATIC COORDINATION BETWEEN AND AMONG JAMAICA AND OTHERS. IT IS POSSIBLE WE COULD BE HELPFUL IN SUCH AN ENTERPRISE, SHOULD YOU PURSUE IT AND BE INTERESTED IN OUR SUPPORT.

F. WE SHOULD ALSO SAY SOMETHING ON THE QUESTION OF A POSSIBLE FOLLOW-UP JOINT TEAM EFFORT. INASMUCH AS OUR INITIAL CONSULTATIONS INCLUDED PROVISION OF SUCH A SECOND, TECHNICAL JOINT TEAM AND IS A MATTER OF PUBLIC RECORD, WE CAN EXPECT INQUIRIES ON THIS SUBJECT. HOW WE BOTH HANDLE THIS MATTER IS IMPORTANT BECAUSE OF THE TEMPTATION OTHERS MAY NOT BE ABLE TO RESIST TO FORM IMAGINATIVE CONCLUSIONS AS TO THE MEANING OF OUR ACTIONS...HERE ARE SOME OF THE CONCLUSIONS WE HAVE FORMED AND WOULD LIKE TO EXPLORE WITH YOU:

(1) WE DO NOT SEE THE NECESSITY, AT THIS STATE, FOR A FOLLOW-UP TEAM ON THE FOREIGN EXCHANGE CRISIS. WE ARE ALSO AWARE THAT YOU WILL BE DEALING WITH OTHERS ON THE

SAME SUBJECT IN THE COMING WEEKS.

(2) DEPENDING UPON WHAT CONCLUSIONS AND DECISIONS OUR GOVERNMENT MAKES AFTER OUR RETURN, IT MAY BE USEFUL TO COME TOGETHER IN JAMAICA OR WASHINGTON TO FOLLOW UP. WE WILL SURELY BE IN TOUCH WITH YOU ON THAT.

(3) IN THE NEAR FUTURE, YOU MAY WISH CONTINUING DISCUSSIONS ON EXPORT POTENTIALS.

(4) DOWN THE ROAD, YOU MAY WISH TO FORM A JOINT TEAM,

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PAGE 01 KINGST 02289 03 OF 03 092147Z
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C O N F I D E N T I A L SECTION 3 OF 3 KINGSTON 2289

ARA FOR HEAVNER; EMB FOR DUNFORD; DEPT. PASS AID FOR LION AND LEIPZIGER; TREASURY FOR MARESCA

WITH US BILATERALLY OR IN SOME COORDINATED MULTILATERAL EFFORT, ON ECONOMIC COOPERATION AND ASSISTANCE RELATED TO JAMAICA'S DEVELOPMENT PLANS AND PROGRAMS. ENGAGING IN SUCH A JOINT EFFORT IN THE NEXT FEW WEEKS DOES NOT SEEM TO US TO BE AN OPTIMUM USE OF YOUR AND OUR HUMAN RESOURCES.

WE WOULD APPRECIATE YOUR VIEWS ON THESE QUESTIONS.

G. FINALLY, BEFORE WE BEGIN OUR DISCUSSIONS, INCLUDING THE ISSUE OF A JOINT PUBLIC STATEMENT, LET ME BRIEFLY DESCRIBE OUR NEXT STEPS:

THE US TEAM WILL RETURN TO WASHINGTON, CONCLUDE ITS ANALYSES AND INTERNAL DELIBERATIONS, AND PREPARE AND SUBMIT ITS REPORT TO THE SEVERAL CONCERNED OFFICIAL SNA AGENCIES.

THE TEAM EXPECTS THAT WITHIN A FEW WEEKS AFTER THE SUBMISSION OF OUR REPORT, DECISIONS WILL BE MADE ON THE RELEVANT KEY QUESTIONS--

"WHETHER", "WHAT LEVEL", "WHAT KIND" AND "WHEN"

ARE THE OPERATING WORDS SURROUNDING THE ASSISTANCE AND ECONOMIC COOPERATION ISSUES.

THOSE ARE THE GENERAL OUTLINES OF THE SCENARIO AS WE SEE IT. ONCE AGAIN, I REITERATE OUR SINCERE APPRECIATION FOR THESE LAST FEW DAYS, INCLUDING YOUR
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PAGE 02 KINGST 02289 03 OF 03 092147Z

GRACIOUS PERSONAL AND GENERAL INSTITUTIONAL HOSPITALITY. WE HOPE THIS WILL PROVE TO BE A SUCCESSFUL COOPERATIVE ADVENTURE AND THAT, AS OUR MORE SENIOR OFFICIALS INTENDED, WE ARE LAUNCHED UPON A SATISFYING, MUTUALLY BENEFICIAL CHAPTER IN THE RELATIONS BETWEEN OUR TWO COUNTRIES. END TEXT.

6. IN RESPONSE TO U.S. STATEMENT, MINISTER FLETCHER NOTED THAT "IF WE OBTAIN ASSISTANCE FROM THE U.S. IN THE FIRST INSTANCE AND FROM THE IMF SECOND, WE WILL HAVE A BREATHER AND IT WILL BE POSSIBLE FOR US TO PROCEED ON THE BASIS OF THE PRIME MINISTER'S APRIL 22 SPEECH. IF NOT, WE WILL HAVE TO RETHINK OUR ENTIRE EFFORT AND CUT BACK DRASTICALLY." FLETCHER STRESSED THE NEED TO MOVE FORWARD WITH A STRONG INCOMES POLICY.

7. GOVERNOR BROWN NOTED THAT IF THE IMF NEGOTIATIONS ARE NOT CONCLUDED BY JUNE 1, THERE WILL HAVE TO BE

SAVAGE CUTBACKS AND A TOTAL CUT IN IMPORTS. HE STRESSED URGENCY OF THE TIMEING AND EXPRESSED HOPE THAT GOJ WOULD HAVE CONCLUSIONS OF THE USG AS SOON AS POSSIBLE. HE ASKED WHEN U.S. TEAM THOUGHT SUCH CONCLUSION MIGHT BE REACHED. LION RESPONDED BY REITERATING HOPE REPEAT HOPE OF THE TEAM THAT SOME DECISIONS MIGHT BE REACHED SOONER THAN THE MIDDLE OF JUNE.

8. IN CLOSING, FRANCIS EXPRESSED THE APPRECIATION OF THE GOJ FOR THE QUICK RESPONSE TO FOREIGN MINISTER PATTERSON'S REQUEST FOR THE FORMATION OF THE JOINT ECONOMIC TEAM. HE EXPRESSED CONFIDENCE THAT PATTERSON WOULD BE VERY PLEASED AT THE SUCCESS OF THE VISIT AND WOULD BE EVEN MORE PLEASED WHEN HE HEARS AND SEES THE RESULTS.

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PAGE 03 KINGST 02289 03 OF 03 092147Z

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